

**MINUTES  
REGULAR MEETING  
RETIREMENT BOARD OF TRUSTEES  
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE  
AND PARISH OF EAST BATON ROUGE  
JANUARY 31, 2019**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:05 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Chief Richard Sullivan, Mr. Mark LeBlanc, Sgt. Neal Noel, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, Ms. Shelley Johnson – Foster & Foster Actuarial, Mr. Britt Hines and Mr. Corey Artieta – BRFD, and Mr. Jeff Burnett, Mr. Michael Richard, and Mr. Earl Turner – P&N.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of December 13, 2018, and from the Investment Committee meeting of November 13, 2018, and called for a motion.

**Motion by Mr. West, seconded by Chief Sullivan to suspend the reading of, and approve the minutes of the regular meeting of December 13, 2018, and the minutes of the Investment Committee meeting of November 13, 2018 as presented.**

**No discussion and no objections.**

**Motion passed by those members present.**

Under Item 2, Disability, there were no applications for consideration for disability retirement.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that there were no unusual items on the report and that the report was in order as presented.

**Motion by Mr. West, seconded by Mr. LeBlanc to approve the Benefits Report as presented.**

**No discussion and no objections.**

**Motion passed by those members present.**

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters called on Ms. Akers who stated that she had no outstanding items and no report this month.

Under Item 5B, Status on Actuarial Cost Study Requests, the chairman stated that there was one item, Impact of Police Pay Raise on Funding and Funded Status of PGT, and called on actuarial consultant Ms. Shelley Johnson of Foster & Foster. Ms. Johnson stated that the first step in the study was to determine a reasonable actuarial discount rate for the PGT with the help of investment consultant AndCo's most recent capital market assumptions. Given AndCo's rate of 5.71 percent, and the rates recommended by other consultants, a rate of 5.75 percent was established for the PGT. The study encompassed several scenarios, assuming no changes, assuming the 5.75 percent assumed rate of return, and then assuming various changes to the police payroll (5% increase and 29% increase effective January 1, 2020). Ms. Johnson noted that Ms. Hanlon had provided a projection for future years' PGT contributions of \$1 million in 2019, with a \$200,000 increase thereafter. She also noted that even with the increased amount of contributions, the amount fell well short of the required contribution amount. She then covered the details of the report results under the various scenarios. The baseline projection showed the PGT running out of assets in 2028, and using the 5.75% assumed rate of return, the date would accelerate to 2027. A 5% payroll increase would cause assets to run out in 2026, and a 29% increase would deplete assets earlier in 2026. She concluded that the overriding problem was the insufficient contributions, and that anything that increased benefit payments or decreased contributions would worsen the funding situation. There was an underlying assumption that 8% of DROP accounts would be withdrawn each year. In answer to a question from Ms. Hanlon, Ms. Johnson stated that by the year 2032 PGT payments would be in the \$165,000 range if the required contributions were made. Ms. Johnson also stated that new actuarial standards would require them to provide additional disclosures regarding funding or lack of funding for the trusts. Ms. Hanlon stated that the administration was aware of the funding issue with the PGT. Ms. Akers stated that the state and statewide systems were under statutory obligation to pay off their unfunded liability as of a certain date. Mr. LeBlanc asked that the actuaries, when performing the 5-year Experience Study, look at

the benefits changes made in 2015 to project how effective they would be. Discussion continued regarding what would happen if the PGT funds were depleted. Ms. Hanlon reminded the Board that two actuaries agreed that no future funding would be required for the PGT beyond what was originally funded back in the year 2000.

**Motion by Mr. LeBlanc, seconded by Mr. West to adopt an actuarial discount rate of 5.75 percent for the Police Guarantee Trust.**

**No discussion and no objections.**

**Motion passed by those members present.**

Under Item 6, Committee Reports, there were no reports to be given.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7C there were invoices from the Law Offices of Akers & Wisbar, LLC, which Mr. Smith verified as being in order as presented.

**Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.**

**No discussion and no objections.**

**Motion passed by those members present.**

Under Item 7F, there were a number of investment manager invoices for the Board's review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 7G, Cash Activity Report, it was noted that the report will be deferred until after the actuarial report is received.

Under Item 7H, Building – Capital Improvements, Mr. Yates stated that Star Services, the firm that maintains the HVAC system for the retirement office building, recently approached him regarding their inability to maintain the current system because it is 40 years old and needs replacement. He stated that Mr. Smith had done a good job getting three bids from local contractors for complete replacement. He also stated that the recommended accounting treatment would be to capitalize the asset since it would be expected to have at least a 20-year useful life. Mr. Smith added that Star Services had written up the bid to include all the specifications for a full replacement, and those same specifications were given to two other contractors so they could bid on the exact same work. Ms. Akers stated that public bid law would not take precedence for this type of work, per an Attorney General's opinion that stated that a retirement system's funds were not public funds. Mr. Yates noted that starting the work soon would allow the days of A/C downtime to be during mild weather instead of the heat of summer. Regarding a recommendation for a contractor, Mr. Yates stated that in addition to the long-term relationship with Star Services, the system had used MBD for a major remodeling project years ago, and was very pleased with the quality of their work. CMC had never done any work for CPERS. Mr. Bernard mentioned that some of the equipment may be covered under state contract. Mr. LeBlanc asked about exclusions included in the MBD contract, which could ultimately increase costs with potential change orders. It was noted that with exclusions, the three bids may be closer in price than the numbers represented. Mr. Yates stated that the CPERS staff was most comfortable with Star Services, then MBD, then CMC, based on past experience and watching how each team assessed the project. Mr. West stated that it was important to ensure that each firm was licensed and bonded so that there would be some recourse if change orders expanded the costs beyond what was estimated. Chief Sullivan noted that the electrical work proposed would be a significant cost, which was not included in one bid. He likened it to some unforeseen electrical costs that recently occurred with the renovation of BRFD Station 12. Ms. Akers stated that the proposers most likely have a standard contract that she and Mr. Yates would review and possibly make recommendations for changes.

**Motion by Mr. LeBlanc, seconded by Chief Sullivan to contract with Star Services for the replacement of the HVAC system in the Retirement Office building, subject to satisfactory contractual terms as negotiated by the Retirement Administrator and the System's legal counsel.**

**Under discussion, Mr. Bernard asked if it was possible to request that Star revisit the proposal and respond with a best and final proposal. Mr. West also requested that verification of proof of licensing, insurance, and bonding be secured.**

**Both Mr. LeBlanc and Chief Sullivan accepted these additional provisions into the motion.**

**There were no objections to the motion.**

**Motion passed by those members present, with the exception of Ms. Hanlon who abstained.**

Mr. Toups asked about the status of the Baton Rouge Blueprint building next door, and stated that a rezoning notice had been posted showing a status of heavy commercial. Mr. Yates stated that he would inquire of the Planning Commission about the rezoning status.

The next item on the agenda was Item 8, Unfinished Business, and under Item 8A, Presentation of Results of CPERS' Cyber-Security Study, the chairman recognized Mr. Jeff Burnett, Mr. Michael Richard, and Mr. Earl Turner from P&N for their presentation. Mr. Burnett stated that the presentation was at a high

level, and that they would summarize the findings and the recommendations in the report. They summarized the scope of the project for cyber-risk assessment, and noted that they had spoken to the Retirement Office staff, and had had some limited communication with the staff at IS. They also had done some vulnerability testing in the form of scans of the Retirement System network. In the summary of findings, it was stated that because CPERS was a part of the City's overall network, and that there was no filtering of data in and out between the City's server and CPERS' server, this could allow access from another unintended department that also connects to the City's server. Also, an attack on the City's server could potentially jeopardize the CPERS server. The solution would be to install a firewall between the City's server and CPERS' server to restrict traffic. This would be a relatively low cost solution, which may be in the form of additional hardware, or a software application solution done through IS. The security of the City's server itself was not assessed, although it was noted that the City does have firewalls in place against outside parties. The next recommendation was for annual staff training against attacks such as phishing emails to try to obtain secure data. Mr. West stated that he had worked with IS regarding phishing attacks, which are fairly common against City-Parish employees, and that IS had put safeguards in place to combat this activity, however many employees fall victim to clicking unauthorized email links. Vulnerability scans were also recommended at least annually. These tests show if software updates have not been made so the user can take corrective action. Penetration tests also help to show if it is possible to gain access to the network, and should be done annually also. All these tests are part of an overall risk management program for the network, and could be administered either internally or by a third party. A patch management program would also work in conjunction with the vulnerability scans to insure that all software releases are up to date. Although there were other recommendations, the team chose to present the highest priority items and the recommended solutions for those items. Mr. Toups suggested that Mr. Eric Romero in IS review the report and recommendations, and respond to CPERS regarding steps IS can help CPERS take to lock down some of the vulnerabilities currently in the system.

Moving to Item 9, New Business, the chairman noted there were no items on the agenda.

Under Item 10, Administrative Matters, Mr. Toups stated that a telephone conference call had been set up for the Investment Committee members and Cortex Applied Solutions regarding the RFP process for selection of an investment consultant. He stated that he had just recently received a report from Cortex and asked that Mr. Yates bring the Board up to date. Mr. Yates stated that he had received both the full report and an executive summary, and that the original list of nine proposers may have narrowed to eight as one firm (Meketa) was acquiring one of the other firms (PCA). He stated that the list included very large firms, down to smaller firms. Mr. Yates recommended having another telephone conference with the committee to try to reduce the number of firms in the mix. This may entail going over the full report in some detail to narrow the list. He also noted that Cortex places emphasis on things that may or may not be critical to the committee, such as whether or not the firm has dedicated risk management professionals on staff. Other factors that were included in the report were such things as how many CFA's and FSA's were in the firm, and how many relationships each field consultant maintained. Mr. LeBlanc noted that a number of the proposing firms did not have many defined benefit relationships with public entities, which was a concern for him. Mr. Toups expressed concern over a firm that derived almost 40 percent of its income from non-consulting practices. Mr. Yates stated that he hoped the committee could finalize the selection at the end of February. Mr. West noted that AndCo, which CPERS currently uses, did not score highly in several of the qualification categories developed by Cortex. It was agreed to set up the conference call with Cortex in February to discuss their analysis of the proposing firms.

Still under Administrative Matters, Mr. Bernard stated that he had been contacted by a CPERS retiree who had exited the DROP six months early, and now wants to complete the DROP. He told her there was a provision for returning to work to complete the DROP, but this retiree stated she did not want to return to work. Mr. Yates explained that she could return to work and complete the DROP, provided she had not taken any DROP distributions that were not based on life expectancy. Mr. Bernard stated that this retiree may take the issue to the Metro Council if CPERS determines she is not eligible to return and complete DROP.

Continuing on Administrative Matters, Mr. Yates announced that CPERS was poised to be appointed co-lead plaintiff on the GreenSky securities litigation being handled by attorneys Scott and Scott. Between CPERS, El Paso retirement fund, and a large union fund, there had been losses of over \$900,000, and that this should give these funds leverage in being appointed lead plaintiff in the case.

Mr. Yates then stated he would like to meet with representatives from the technology firm Velocity Squared to explore the possibility of making retiree check stubs and Form 1099-R's available online through the same website that hosts detailed DROP information. He noted that V2 had developed the DROP website, which is much more complicated than what he was proposing for them to do with the forms.

The chairman then continued to Item 11, Police Guarantee Trust Matters, and under 11A, PGT Benefits Report, Mr. Yates stated that there was only one item on the report for approval this month, and that it was in order as presented.

**Motion by Mr. LeBlanc, seconded by Mr. West to approve the PGT Benefits Report as presented.**

**No discussion and no objections.**

**Motion passed by those members present.**

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

There were no matters under Item 11C, Consultants' Reports.

There were several investment manager invoices under Item 11D.1 for the Board's review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 11D.2 there were no items to address.

Under Item 11D.3, PGT Cash Activity Report, it was noted that the report will be deferred until after the actuarial report is received.

Under Items 11E New Business, and 11F Unfinished Business, and 11G, there were no items to address.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

**Motion by Sgt. Noel, seconded by Mr. Toups to adjourn at 11:22 a.m.**

**No discussion and no objections.**

**Motion passed by those members present.**

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**MARSHA HANLON**  
**CHAIRMAN, RETIREMENT BOARD OF TRUSTEES**

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**JEFFREY R. YATES**  
**RETIREMENT ADMINISTRATOR**